PHILIP MORRIS U.S.A. INTER-OFFICE CORRESPONDENCE

120 PARK AVENUE, NEW YORK, N.Y. 10017-5592

TO: Distribution DATE: August 1, 1991

FROM: Marketing Information and Analysis/Jeanne A. Kiernan

SUBJECT: Magna and Sterling Sub-Generic Performance

Repositioned as Sub-Generics in May, Magna and Sterling have shown better early share performance as Sub-Generics than as Branded Generic and Price-off brands, as measured by most available data sources.

The impact of the repositionings on distribution of both brands has yet to be fully developed. High levels of out-of-stocks for both brands were evident in May, and it is uncertain if this inventory situation will translate into lost distribution in the coming months.

SUMMARY

- Both brands experienced share gains of +0.1 points in May according to New Nielsen, with Magna increasing to a share of 0.5 and Sterling increasing to 0.3.

- New Nielsen distribution data (weighted distribution) show two point declines for both brands in the month, to 66% and 46% respectively. Significantly, Nielsen also reports unusually high levels of out-of-stocks: Magna's weighted out-of-stocks in May were 19%, and Sterling's 15%.

  - Out-of-stocks were evident across all Trade Classes and Regions, potentially reflecting the fact that shipments were stopped for a one week period in May, and products remaining at Branded Generic and Price-off prices were couponed heavily.

    In the coming months data, some of the out-of-stocks may translate into lost distribution if retail outlets reject the new sub-generic price point, and cease reordering the products. Approximately 10% of retail outlets did not carry Sub-Generic brands until Sterling and Magna were repositioned, and whether they continue to carry the brands at the new price point remains to be seen.

- Infoscan data show neither brand fully achieving a Sub-Generic price point. On a national basis Sterling is approximately $1.80 more expensive than the average Sub-Generic carton price, and Magna is roughly $0.30 more expensive.

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Source: https://www.industrydocuments.ucsf.edu/docs/qzwn0004

SUMMARY CONTINUED

Nevertheless, Magna share within the Supermarket environment has been on an increasing trend since the repositioning: while in the previous year share had hovered around 0.2, as of June 30, share was 0.3.

Sterling, which had inflated share (0.5) in the two weeks prior to the repositioning, apparently due to aggressive high dollar value couponing, has since returned to a share of 0.4 (w/e June 30). Note, though, that even at this relatively lower level, Sterling's 0.4 share is still higher than levels reported through March, 1991.

- NCS Convenience store data through July 7, show strong Magna performance, with share at 1.0, up from 1991 average pre-repositioning share of 0.6. Historical Sterling data are not available in NCS.

MAGSTER.DOC

DISTRIBUTION:

R. Anise
D. Beran
D. Dangoor
S. Fuller
C. Johnson
C. Levy
N. Lund
E. Merlo
R. Mikulay
M. Moore
T. Saloun
J. Scully
R. Simons
L. Suwarna
M. Szymanczyk
L. Wexler

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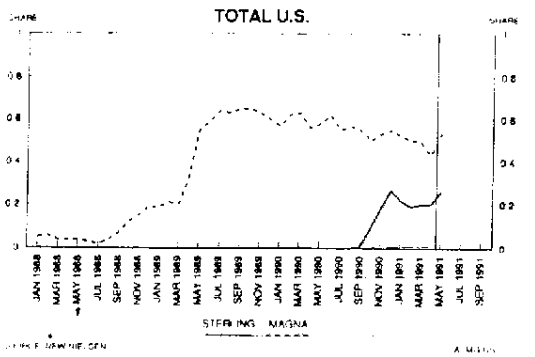
NIELSEN SHARE

Nationally, both Magna and Sterling showed share gains in May of +0.1 points from April levels.

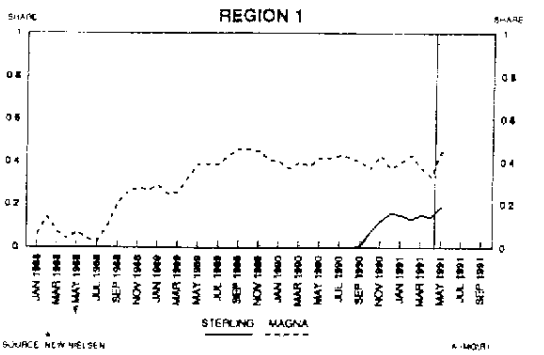
- For Magna, New Nielsen share gains of +0.1 points vs April were evident across all Regions, except for Region 4, where the brand's performance was relatively unchanged. Despite these relatively large share increases, May results were in line with historical share levels.

- Sterling New Nielsen share performance did not vary significantly across Regions, ranging from +0.05 to +0.08 points.

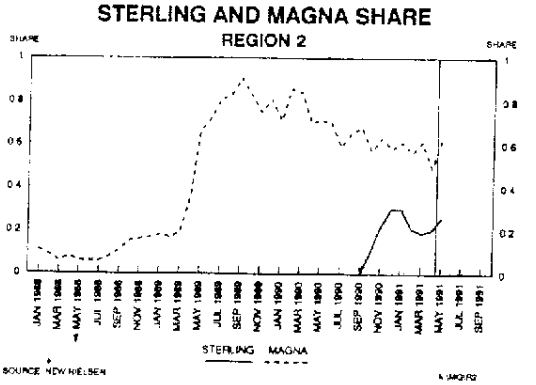
STERLING AND MAGNA SHARE
TOTAL U.S.



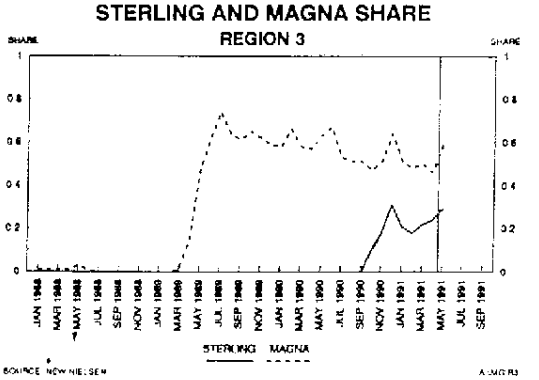
STERLING AND MAGNA SHARE
REGION 1



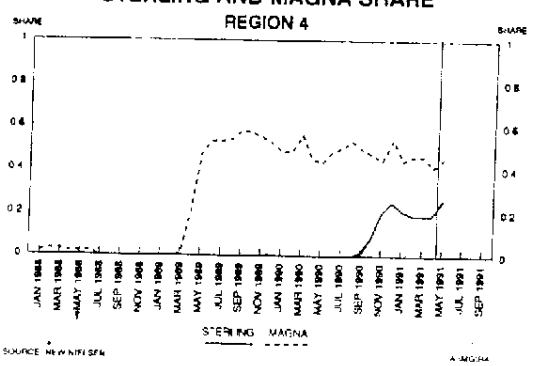
STERLING AND MAGNA SHARE
REGION 2



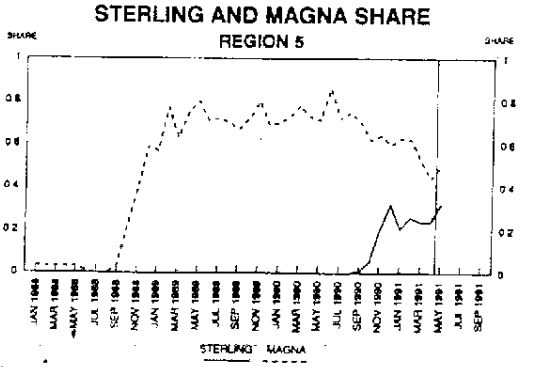
STERLING AND MAGNA SHARE
REGION 3



STERLING AND MAGNA SHARE
REGION 4



STERLING AND MAGNA SHARE
REGION 5



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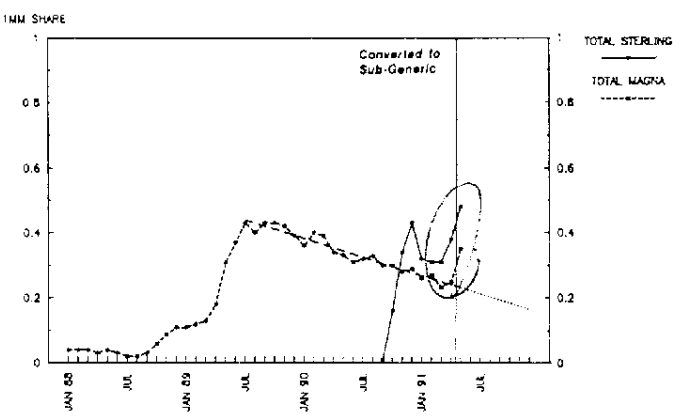
Source: https://www.industrydocuments.ucsf.edu/docs/qzwn0004

NIELSEN SHARE CONTINUED

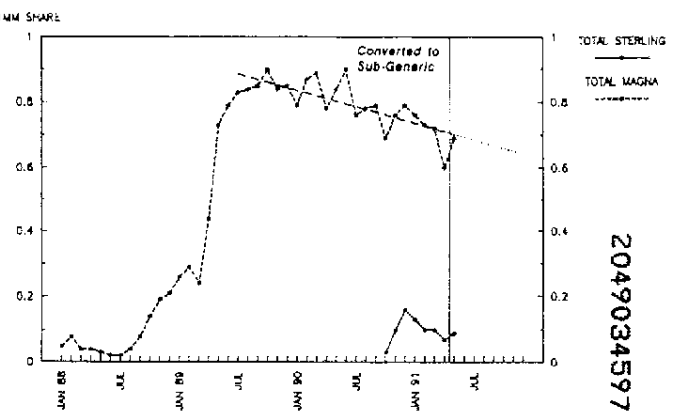
- In all major Trade Classes, Magna's share gains were also +0.1 points.
  - Although Magna's share within the Supermarket universe rose +0.1 points, the brand's performance was even stronger (+0.2 points) in Independent Supermarkets, which are generally better developed for Sub-Generics.
- In Drug stores, which were particularly well developed for Sterling before the repositioning (SDI of 146), Sterling gained share of +0.2 points increasing to 0.5.
  - Within Drug outlets, Sterling's weighted distribution as reported by New Nielsen actually declined slightly (-3 points to 53%) which may reflect the brand's strong performance in that trade class in the latest period.

In the Convenience trade class (an underdeveloped outlet for Sterling: SDI =35 before the repositioning), Sterling's share remained unchanged at 0.1.

TOTAL STERLING and TOTAL MAGNA
1MM SHARE OF VOLUME
SUPERMARKETS



TOTAL STERLING and TOTAL MAGNA
1MM SHARE OF VOLUME
CONVENIENCE



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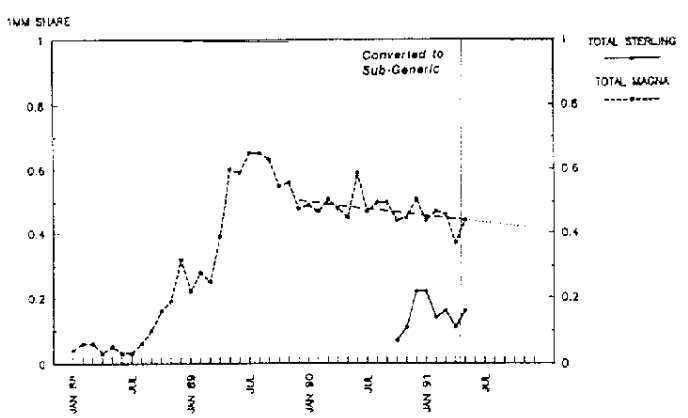
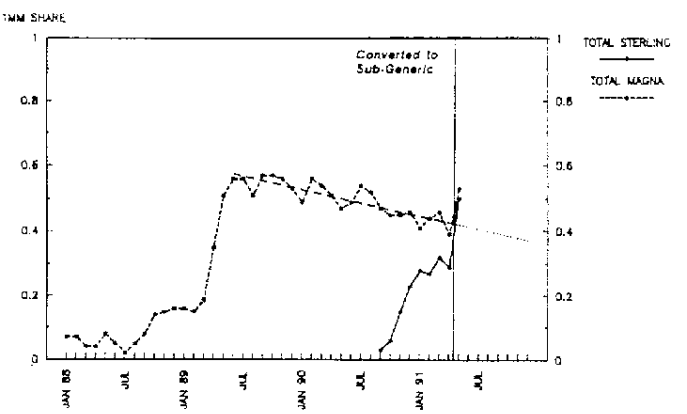
Source: New Nielsen

TOTAL STERLING and TOTAL MAGNA
1MM SHARE OF VOLUME
GROCERY



Source: New Nielsen

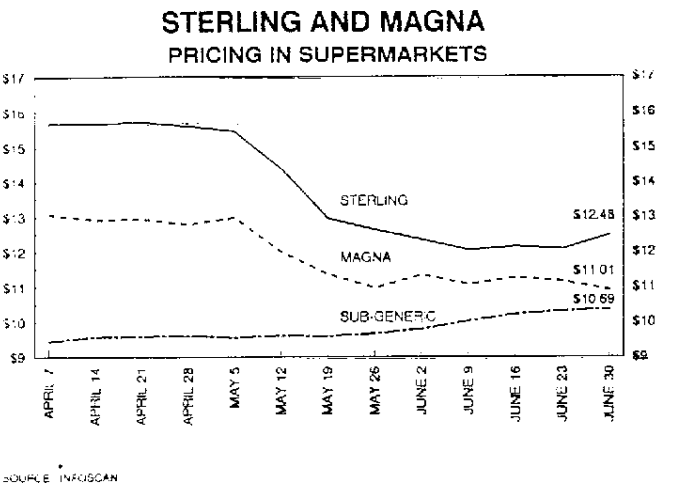
TOTAL STERLING and TOTAL MAGNA
1MM SHARE OF VOLUME
DRUG



Source: https://www.industrydocuments.ucsf.edu/docs/qzwn0004

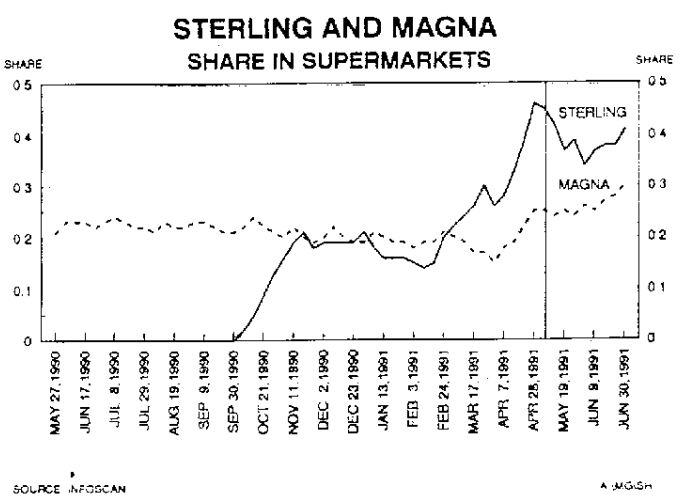
INFOSCAN PERFORMANCE

- To date neither Magna nor Sterling has been completely successful in achieving a Sub-Generic price point in the Supermarket environment.



- Infoscan data show Magna, (which of the two repositioned products has achieved a lower price point), with share in Supermarkets in the week ending June 30 of 0.3. This reflects a share increase of +0.05 points from its pre-repositioning level of 0.25 (w/e May 5).

- After achieving its highest share of 0.5 in the week ending May 5, (the week before the repositioning), Sterling share has declined since its repositioning to a share of 0.4 (w/e June 30). The previous gains had apparently been supported by high levels of high dollar value couponing. Nevertheless, the current share of 0.4 is still higher than levels reported through March, 1991.



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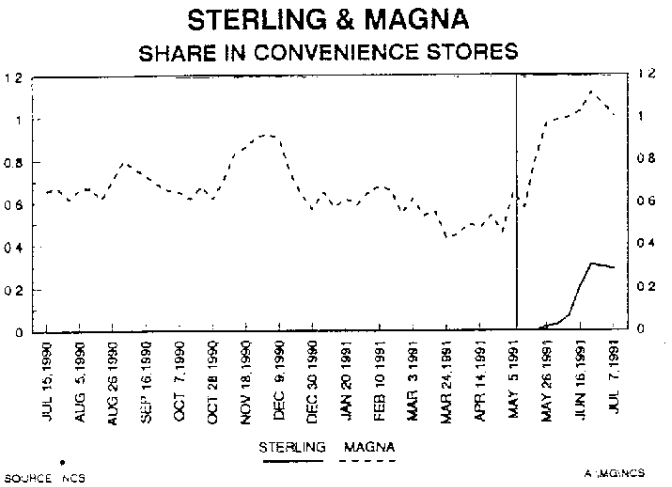
Source: https://www.industrydocuments.ucsf.edu/docs/qzwn0004

CONVENIENCE STORE PERFORMANCE

- Since its repositioning, Magna has had significant share gains in these convenience stores, increasing +0.3 points from its pre-repositioning (w/e May 5) share of 0.7 to 1.0.



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